BANNER CORP
Form 4
March 15, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
LARSEN MICHAEL K
(Last) (First) (Middle)
10 SOUTH FIRST AVE
(Street)
WALLA WALLA, WA 99362
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BANNER CORP [BANR]

3. Date of Earliest Transaction (Month/Day/Year)
03/14/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive VP, Banner Bank

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $.01 par value per share	03/14/2007		S		5,000	D	$ 38.9539	101,972 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LARSEN MICHAEL K 10 SOUTH FIRST AVE WALLA WALLA, WA 99362			Executive VP, Banner Bank	

Signatures

/s/Michael K. Larsen	03/15/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes direct ownership of 3,228 shares through IRA, 39,864 shares through Deferred Compensation Plan and 12,267 shares through Employee Stock Ownership plan. Also includes indirect ownership of 2,752 shares through spouse's IRA.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Item 5. Other Information

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Item 6. Exhibits

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Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands, except per share amounts)	
Net sales	$ 387,548	$ 405,532
Cost of sales	285,692	286,846
Gross profit	101,856	118,686
Selling, general and administrative expenses	72,080	73,092
Restructuring and impairment charges	2,127	4,106
Other expense (income):		
Interest expense	8,545	7,962
Interest earned	(87)	(201)
Foreign currency losses, net	738	1,840
Miscellaneous expense, net	275	775
Income before income taxes	18,178	31,112
Income tax expense	4,300	7,514
Net income	13,878	23,598
Less: Net income attributable to noncontrolling interests	274	207
Net income attributable to Ferro Corporation common shareholders	$ 13,604	$ 23,391
Earnings per share attributable to Ferro Corporation common shareholders:		
Basic earnings per share	$ 0.16	$ 0.28
Diluted earnings per share	$ 0.16	$ 0.27

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Net income	$ 13,878	$ 23,598
Other comprehensive income, net of income tax:		
Foreign currency translation income	3,508	5,787
Cash flow hedging instruments, unrealized (loss) gain	(4,314)	1,314
Postretirement benefit liabilities income	—	7
Other comprehensive (loss) income, net of income tax	(806)	7,108
Total comprehensive income	13,072	30,706
Less: Comprehensive income attributable to noncontrolling interests	380	335
Comprehensive income attributable to Ferro Corporation	$ 12,692	$ 30,371

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 57,637	$ 104,301
Accounts receivable, net	329,149	306,882
Inventories	366,628	356,998
Other receivables	86,022	91,143
Other current assets	25,474	23,960
Total current assets	864,910	883,284
Other assets		
Property, plant and equipment, net	385,079	381,341
Goodwill	214,815	216,464
Intangible assets, net	179,349	184,953
Deferred income taxes	103,433	103,488
Operating leased assets	27,110	—
Other non-current assets	48,710	42,930
Total assets	$ 1,823,406	$ 1,812,460
LIABILITIES AND EQUITY		
Current liabilities		
Loans payable and current portion of long-term debt	$ 10,156	$ 10,260
Accounts payable	205,486	256,573
Accrued payrolls	33,305	39,989
Accrued expenses and other current liabilities	90,466	77,995
Total current liabilities	339,413	384,817
Other liabilities		
Long-term debt, less current portion	860,441	811,137
Postretirement and pension liabilities	172,185	173,046
Operating leased non-current liabilities	17,562	—
Other non-current liabilities	57,908	57,611
Total liabilities	1,447,509	1,426,611
Equity		
Ferro Corporation shareholders' equity:		
Common stock, par value $1 per share; 300.0 million shares authorized; 93.4 million shares issued; 81.9 million and 83.0 million shares outstanding at March 31, 2019, and December 31, 2018, respectively	93,436	93,436
Paid-in capital	291,677	298,123

Retained earnings	269,582	255,978
Accumulated other comprehensive loss	(106,273)	(105,361)
Common shares in treasury, at cost	(182,123)	(165,545)
Total Ferro Corporation shareholders' equity	366,299	376,631
Noncontrolling interests	9,598	9,218
Total equity	375,897	385,849
Total liabilities and equity	$ 1,823,406	$ 1,812,460

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Equity

	Ferro Corporation Shareholders Common Shares in Treasury							
	Shares	Amount	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Non-controlling Interests	Total Equity
	(In thousands)							
Balances at December 31, 2017	9,386	(147,056)	$ 93,436	$ 302,158	171,744	(75,468)	11,866	$ 356,680
Net income	—	—	—	—	23,391	—	207	23,598
Other comprehensive income	—	—	—	—	—	6,980	128	7,108
Stock-based compensation transactions	(349)	8,209	—	(6,986)	—	—	—	1,223
Change in ownership interests	—	—	—	789	—	—	(2,228)	(1,439)
Adjustment for accounting standards update 2016-16	—	—	—	—	4,141	—	—	4,141
Balances at March 31, 2018	9,037	(138,847)	93,436	295,961	199,276	(68,488)	9,973	391,311
Balances at December 31, 2018	10,433	(165,545)	93,436	298,123	255,978	(105,361)	9,218	385,849
Net income	—	—	—	—	13,604	—	274	13,878
Other comprehensive (loss) income	—	—	—	—	—	(912)	106	(806)
Purchase of treasury stock	1,441	(25,000)	—	—	—	—	—	(25,000)
Stock-based compensation transactions	(370)	8,422	—	(6,446)	—	—	—	1,976
	11,504	$ (182,123)	$ 93,436	$ 291,677	$ 269,582	$ (106,273)	$ 9,598	$ 375,897

Balances at
March 31, 2019

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Cash flows from operating activities		
Net cash used in operating activities	$ (67,527)	$ (34,285)
Cash flows from investing activities		
Capital expenditures for property, plant and equipment and other long lived assets	(23,326)	(20,682)
Collections of financing receivables	20,186	—
Business acquisitions, net of cash acquired	(251)	(2,352)
Other investing activities	—	22
Net cash used in investing activities	(3,391)	(23,012)
Cash flows from financing activities		
Net borrowings under loans payable	33	9,742
Principal payments on term loan facility - Credit Facility	—	(1,664)
Principal payments on term loan facility - Amended Credit Facility	(2,050)	—
Proceeds from revolving credit facility - Credit Facility	—	119,550
Principal payments on revolving credit facility - Credit Facility	—	(79,367)
Proceeds from revolving credit facility - Amended Credit Facility	104,174	—
Principal payments on revolving credit facility - Amended Credit Facility	(52,866)	—
Acquisition-related contingent consideration payment	—	(348)
Purchase of treasury stock	(25,000)	—
Other financing activities	(414)	(2,133)
Net cash provided by financing activities	23,877	45,780
Effect of exchange rate changes on cash and cash equivalents	377	1,262
Decrease in cash and cash equivalents	(46,664)	(10,255)
Cash and cash equivalents at beginning of period	104,301	63,551
Cash and cash equivalents at end of period	$ 57,637	$ 53,296
Cash paid during the period for:		
Interest	$ 8,232	$ 7,314
Income taxes	$ 3,940	$ 4,575

See accompanying notes to condensed consolidated financial statements.

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Explanation of Responses:

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Ferro Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ferro Corporation (“Ferro,” “we,” “us” or “the Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, the instructions to Form 10-Q, and Article 10 of Regulation S-X. These statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

We produce our products primarily in the Europe, Middle East and Africa (“EMEA”) region, the United States (“U.S.”), the Asia Pacific region, and Latin America.

Operating results for the three months ended March 31, 2019, are not necessarily indicative of the results expected in subsequent quarters or for the full year ending December 31, 2019.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

On January 1, 2019, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, Leases: (Topic 842), using the new transition method under ASU 2018-11, Targeted Improvements. ASU 2016-02 requires companies to recognize a lease liability and asset on the balance sheet for operating leases with a term greater than one year. ASU 2018-11 provided an additional transition method to adopt the new leasing standard. Under this new transition method, an entity initially applies the new leasing standard using a cumulative-effect adjustment to the opening balance of retained earnings but will continue to report comparative periods under existing guidance in accordance with ASC 840, Leases.

We elected the package of practical expedients permitted under the transition guidance, which allowed us to carryforward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. We also elected to combine lease and non-lease components for all asset classes. We elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, we will not recognize right of use assets or lease liabilities on the balance sheet. The impact of adoption resulted in $28.6 million recognized as total right-of-use assets and total lease liabilities on our consolidated balance sheet as of January 1, 2019. Other than this impact, the adoption of ASU 2016-02 did not have a material impact on our remaining consolidated financial statements.

On January 1, 2019, we adopted FASB ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-02 allows a reclassification from Accumulated Other Comprehensive (Loss) Income to Retained Earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and requires certain disclosures about stranded tax effects. The Company has elected not to reclassify the stranded tax effects due to the Tax Cuts and Jobs Act within Accumulated Other Comprehensive Loss. As such, the adoption of this standard did not impact our consolidated financial statements.

On January 1, 2019, we adopted FASB ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements on fair value measurements. The Company updated the disclosures for the fair value measurements in accordance with the standard updates.

New Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans. ASU 2018-14 modifies

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disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This pronouncement is effective for fiscal years beginning after December 15, 2020. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other: (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 is intended to simplify the subsequent measurement of goodwill by eliminating Step 2 from the current goodwill impairment test. This pronouncement is effective for the annual or any interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

No other new accounting pronouncements issued had, or are expected to have, a material impact on the Company's consolidated financial statements.

3. Revenue

Revenues disaggregated by geography and reportable segment for the three months ended March 31, 2019, follow:

	EMEA	United States	Asia Pacific	Latin America	Total
	(Dollars in thousands)				
Performance Coatings	$ 113,426	$ 11,691	$ 22,865	$ 22,365	$ 170,347
Performance Colors and Glass	57,448	40,288	16,570	6,539	120,845
Color Solutions	35,567	43,599	8,825	8,365	96,356
Total net sales	$ 206,441	$ 95,578	$ 48,260	$ 37,269	$ 387,548

Revenues disaggregated by geography and reportable segment for the three months ended March 31, 2018, follow:

	EMEA	Total

		United States	Asia Pacific	Latin America	
	(Dollars in thousands)				
Performance Coatings	$ 119,116	$ 12,819	$ 25,947	$ 26,766	$ 184,648
Performance Colors and Glass	61,344	37,091	16,515	5,555	120,505
Color Solutions	40,483	41,626	9,938	8,332	100,379
Total net sales	$ 220,943	$ 91,536	$ 52,400	$ 40,653	$ 405,532

4. Acquisitions

Quimicer, S.A.

On October 1, 2018, the Company acquired 100% of the equity interests of Quimicer, S.A. (“Quimicer”), for €32.2 million (approximately $37.4 million), including the assumption of debt of €5.2 million (approximately $6.1 million). The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of March 31, 2019, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company

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preliminarily recorded $21.5 million of personal and real property, $15.9 million of net working capital, $3.0 million of goodwill and $3.0 million of deferred tax liability on the condensed consolidated balance sheet.

UWiZ Technology Co., Ltd.

On September 25, 2018, the Company acquired 100% of the equity interests of UWiZ Technology Co., Ltd. ("UWiZ") for NTD823.4 million (approximately $26.9 million) in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of March 31, 2019, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $12.5 million of net working capital, $7.1 million of goodwill, $6.6 million of amortizable intangible assets, $2.4 million of personal and real property and $1.7 million of deferred tax liability on the condensed consolidated balance sheet.

Ernst Diegel GmbH

On August 31, 2018, the Company acquired 100% of the equity interests of Ernst Diegel GmbH ("Diegel"), including the real property of a related party, for €12.1 million (approximately $14.0 million) in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of March 31, 2019, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $7.0 million of personal and real property, $4.8 million of net working capital, $2.0 million of amortizable intangible assets, $1.7 million of goodwill and $1.5 million of deferred tax liability on the condensed consolidated balance sheet.

MRA Laboratories, Inc.

On July 12, 2018, the Company acquired 100% of the equity interests of MRA Laboratories, Inc. ("MRA") for $16.0 million in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of March 31, 2019, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $7.2 million of goodwill, $6.7 million of amortizable intangible assets, $3.4 million of net working capital, $1.6 million of deferred tax liability and $0.3 million of personal and real property on the condensed consolidated balance sheet.

PT Ferro Materials Utama

On June 29, 2018, the Company acquired 66% of the equity interests of PT Ferro Materials Utama ("FMU") for $2.7 million in cash, in addition to the forgiveness of debt of $9.2 million, bringing our total ownership to 100%. The Company previously recorded its investment in FMU as an equity method investment, and following this transaction, the Company fully consolidates FMU. Due to the change of control that occurred, the Company recorded a gain on purchase related to the difference between the Company's carrying value and fair value of the previously held equity method investment.

Gardenia Quimica S.A.

On August 3, 2017, the Company acquired a majority interest of Gardenia Quimica S.A. ("Gardenia") for $3.0 million. The Company previously owned 46% of Gardenia and recorded it as an equity method investment. Following this transaction, the Company owned 83.5% and fully consolidates Gardenia. On March 1, 2018, the Company acquired the remaining equity interest in Gardenia for $1.4 million.

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5. Inventories

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Raw materials	$ 118,651	$ 116,219
Work in process	60,297	55,884
Finished goods	187,680	184,895
Total inventories	$ 366,628	$ 356,998

In the production of some of our products, we use precious metals, which we obtain from financial institutions under consignment agreements with terms of one year or less. The financial institutions retain ownership of the precious metals and charge us fees based on the amounts we consign. These fees were $1.1 million and $0.4 million for the three months ended March 31, 2019 and 2018, respectively. We had on-hand precious metals owned by participants in our precious metals consignment program of $53.6 million at March 31, 2019, and $55.2 million at December 31, 2018, measured at fair value based on market prices for identical assets.

6. Property, Plant and Equipment

Property, plant and equipment is reported net of accumulated depreciation of $527.3 million at March 31, 2019, and $523.4 million at December 31, 2018. Unpaid capital expenditure liabilities, which are non-cash investing activities, were $8.4 million at March 31, 2019, and $4.8 million at March 31, 2018.

7. Goodwill and Other Intangible Assets

Details and activity in the Company’s goodwill by segment follow:

	Performance Coatings	Color Solutions	Performance Colors and Glass	Total
	(Dollars in thousands)			
Goodwill, net at December 31, 2018	$ 44,352	$ 50,545	$ 121,567	$ 216,464
Foreign currency adjustments	(855)	(319)	(475)	(1,649)
Goodwill, net at March 31, 2019	$ 43,497	$ 50,226	$ 121,092	$ 214,815

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Goodwill, gross	$ 273,282	$ 274,931
Accumulated impairment	(58,467)	(58,467)
Goodwill, net	$ 214,815	$ 216,464

Goodwill is tested for impairment at the reporting unit level on an annual basis in the fourth quarter, and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying value. As of March 31, 2019, the Company is not aware of any events or circumstances that occurred which would require a goodwill impairment test.

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Amortizable intangible assets consisted of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Gross amortizable intangible assets:		
Patents	$ 5,430	$ 5,462
Land rights	4,846	4,773
Technology/know-how and other	131,515	132,084
Customer relationships	99,217	100,368
Total gross amortizable intangible assets	241,008	242,687
Accumulated amortization:		
Patents	(5,409)	(5,440)
Land rights	(2,966)	(2,909)
Technology/know-how and other	(51,384)	(48,898)
Customer relationships	(18,635)	(17,306)
Total accumulated amortization	(78,394)	(74,553)
Amortizable intangible assets, net	$ 162,614	$ 168,134

Indefinite-lived intangible assets consisted of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Indefinite-lived intangibles assets:		
Trade names and trademarks	$ 16,735	$ 16,819

8. Debt

Loans payable and current portion of long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Loans payable	$ —	$ 50
Current portion of long-term debt	10,156	10,210
Loans payable and current portion of long-term debt	$ 10,156	$ 10,260

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Term loan facility, net of unamortized issuance costs, maturing 2024(1)	$ 807,208	$ 809,022
Revolving credit facility	51,308	—
Capital lease obligations	3,972	3,963
Other notes	8,109	8,362
Total long-term debt	870,597	821,347
Current portion of long-term debt	(10,156)	(10,210)
Long-term debt, less current portion	$ 860,441	$ 811,137

(1) The carrying value of the term loan facility, maturing 2024, is net of unamortized debt issuance costs of $4.6 million at March 31, 2019, and $4.8 million at December 31, 2018.

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Explanation of Responses:

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Amended Credit Facility

On April 25, 2018, the Company entered into an amendment (the "Amended Credit Facility") to its existing credit facility (the "Credit Facility") which Amended Credit Facility (a) provided a new revolving facility (the "2018 Revolving Facility"), which replaced the Company's existing revolving facility, (b) repriced the ("Tranche B-1 Loans"), (c) provided new tranches of term loans ("Tranche B-2 Loans" and "Tranche B-3 Loans") denominated in U.S. dollars and will be used for ongoing working capital requirements and general corporate purposes. The Tranche B-2 Loans are borrowed by the Company and the Tranche B-3 Loans are borrowed on a joint and several basis by Ferro GmbH and Ferro Europe Holdings LLC.

The Amended Credit Facility consists of a $500 million secured revolving line of credit with a maturity of February 2023, a $355 million secured term loan facility with a maturity of February 2024, a $235 million secured term loan facility with a maturity of February 2024 and a $230 million secured term loan facility with a maturity of February 2024. The term loans are payable in equal quarterly installments in an amount equal to 0.25% of the original principal amount of the term loans, with the remaining balance due on the maturity date thereof. In addition, the Company is required, on an annual basis, to make a prepayment in an amount equal to a portion of the Company's excess cash flow, as calculated pursuant to the Amended Credit Facility, which prepayment will be applied first to the term loans until they are paid in full, and then to the revolving loans.

Subject to the satisfaction of certain conditions, the Company can request additional commitments under the revolving line of credit or term loans in the aggregate principal amount of up to $250 million to the extent that existing or new lenders agree to provide such additional commitments and/or term loans. The Company can also raise certain additional debt or credit facilities subject to satisfaction of certain covenant levels.

Certain of the Company's U.S. subsidiaries have guaranteed the Company's obligations under the Amended Credit Facility and such obligations are secured by (a) substantially all of the personal property of the Company and the U.S. subsidiary guarantors and (b) a pledge of 100% of the stock of certain of the Company's U.S. subsidiaries and 65% of the stock of certain of the Company's direct foreign subsidiaries. The Tranche B-3 Loans are guaranteed by the Company, the U.S. subsidiary guarantors and a cross-guaranty by the borrowers of the Tranche B-3 Loans, and are secured by the collateral securing the revolving loans and the other term loans, in addition to a pledge of the equity interests of Ferro GmbH.

Interest Rate – Term Loans: The interest rates applicable to the term loans will be, at the Company's option, equal to either a base rate or a LIBOR rate plus, in both cases, an applicable margin.

- The base rate for term loans will be the highest of (i) the federal funds rate plus 0.50%, (ii) the syndication agent's prime rate, (iii) the daily LIBOR rate plus 1.00% or (iv) 0.00%. The applicable margin for base rate loans is 1.25%.
- The LIBOR rate for term loans shall not be less than 0.0% and the applicable margin for LIBOR rate term loans is 2.25%.
- For LIBOR rate term loans, the Company may choose to set the duration on individual borrowings for periods of one, two, three or six months, with the interest rate based on the applicable LIBOR rate for the corresponding duration.

At March 31, 2019, the Company had borrowed $351.5 million under the Tranche B-1 Loans at an interest rate of 4.85%, $232.7 million under the Tranche B-2 Loans at an interest rate of 4.85%, and $227.7 million under the Tranche B-3 Loans at an interest rate of 4.85%. At March 31, 2019, there were no additional borrowings available under the Tranche B-1 Loans, Tranche B-2 Loans, and Tranche B-3 Loans. In connection with these borrowings, we entered into swap agreements in the second quarter of 2018. At March 31, 2019, the effective interest rate for the Tranche B-1 Loans, Tranche B-2 Loans, and Tranche B-3 Loans, after adjusting for the interest rate swap, was 5.17%, 3.33%, and 2.48%, respectively.

Interest Rate – Revolving Credit Line: The interest rates applicable to loans under the 2018 Revolving Credit Facility will be, at the Company's option, equal to either a base rate or a LIBOR rate plus, in both cases, an applicable variable margin. The variable margin will be based on the ratio of (a) the Company's total consolidated net debt outstanding (as defined in the Amended Credit Agreement) at such time to (b) the Company's consolidated EBITDA (as defined in the Amended Credit Agreement) computed for the period of four consecutive fiscal quarters most recently ended.

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- The base rate for revolving loans will be the highest of (i) the federal funds rate plus 0.50%, (ii) the syndication agent's prime rate, (iii) the daily LIBOR rate plus 1.00% or (iv) 0.00%. The applicable margin for base rate loans will vary between 0.50% to 1.50%.
  - The LIBOR rate for revolving loans shall not be less than 0% and the applicable margin for LIBOR rate revolving loans will vary between 1.50% and 2.50%.
- For LIBOR rate revolving loans, the Company may choose to set the duration on individual borrowings for periods of one, two, three or six months, with the interest rate based on the applicable LIBOR rate for the corresponding duration.

At March 31, 2019, there were $51.3 million borrowings under the 2018 Revolving Credit Facility at an interest rate of 4.49%. After reductions for outstanding letters of credit secured by these facilities, we had $444.0 million of additional borrowings available under the revolving credit facilities at March 31, 2019.

The Amended Credit Facility contains customary restrictive covenants including, but not limited to, limitations on use of loan proceeds, limitations on the Company's ability to pay dividends and repurchase stock, limitations on acquisitions and dispositions, and limitations on certain types of investments. The Amended Credit Facility also contains standard provisions relating to conditions of borrowing and customary events of default, including the non-payment of obligations by the Company and the bankruptcy of the Company.

Specific to the 2018 Revolving Facility, the Company is subject to a financial covenant regarding the Company's maximum leverage ratio. If an event of default occurs, all amounts outstanding under the Amended Credit Facility agreement may be accelerated and become immediately due and payable. At March 31, 2019, we were in compliance with the covenants of the Amended Credit Facility.

Credit Facility

On February 14, 2017, the Company entered into The Credit Facility with a group of lenders to refinance its then outstanding credit facility debt and to provide liquidity for ongoing working capital requirements and general corporate purposes. The Credit Facility consisted of a $400 million secured revolving line of credit with a term of five years, a $357.5 million secured term loan facility with a term of seven years and a €250 million secured Euro term loan facility with a term of seven years. For further discussion of the Company's Credit Facility, refer to Note 9 in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

International Receivable Sales Programs

We have several international programs to sell without recourse trade accounts receivable to financial institutions. These transactions are treated as a sale and are accounted for as a reduction in accounts receivable because the agreements transfer effective control over and risk related to the receivables to the buyers. The Company continues to service the receivables sold in exchange for a fee. The servicing fee for the three months ended March 31, 2019, was immaterial. The program, whose maximum capacity is €100 million, is scheduled to expire in December 2023. Generally, at the transfer date, the Company received cash equal to approximately 65% of the value of the sold receivable. Cash proceeds at the transfer date from these arrangements are reflected in operating activities in our consolidated statement of cash flows. The proceeds from the deferred purchase price are reflected in investing activities.

The outstanding principal amount of receivables sold under this program was $63.9 million at March 31, 2019 and $71.3 million at December 31, 2018. The carrying amount of deferred purchase price was $23.1 million at March 31, 2019 and $23.0 million at December 31, 2018, and is recorded in Other receivables.

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Trade accounts receivable sold to financial institutions	$ 54,873	$ 89,894
Cash proceeds from financial institutions	36,497	57,316
Trade accounts receivable collected to be remitted(1)	17,012	11,552

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Explanation of Responses:

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(1) Included in Accrued expense and other current liabilities

Other Financing Arrangements

We maintain other lines of credit to provide global flexibility for our short-term liquidity requirements. These facilities are uncommitted lines for our international operations and totaled $40.9 million and $41.4 million at March 31, 2019, and December 31, 2018, respectively. The unused portions of these lines provided additional liquidity of $28.1 million at March 31, 2019, and $30.3 million at December 31, 2018.

9. Financial Instruments

The following financial instrument assets (liabilities) are presented at their respective carrying amount, fair value and classification within the fair value hierarchy:

	March 31, 2019				
	Carrying	Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Cash and cash equivalents	$ 57,637	$ 57,637	$ 57,637	$ —	$ —
Term loan facility - Amended Credit Facility(1)	(807,208)	(794,728)	—	(794,728)	—
Revolving credit facility	(51,308)	(50,709)	—	(50,709)	—
Other long-term notes payable	(8,109)	(5,385)	—	(5,385)	—
Cross currency swaps	23,000	23,000	—	23,000	—
Interest rate swaps	(9,227)	(9,227)	—	(9,227)	—
Foreign currency forward contracts, net	1,021	1,021	—	1,021	—